

## § 356.25

(2) A written statement indicating whether it had a reportable net long position as defined in §356.13, and, if a position had to be reported, the amount of any such position and the name of the depository institution or dealer through which the customer requested that the position be reported.

[58 FR 414, Jan. 5, 1993, as amended at 59 FR 28775, June 3, 1994]

### **§356.25 Payment for awarded securities.**

Payment for securities is to be accomplished by the issue date. Payment will be accomplished as follows:

(a) *Payment with tender.* When payment is made with the tender as provided for in §356.17 (a)(1) and (b)(1), settlement is accomplished as follows:

(1) *When an amount is due the submitter.* When the payment previously remitted by the submitter exceeds the settlement amount, the balance will be refunded to the submitter following the auction.

(2) *When the submitter must remit an additional amount.* When the settlement amount exceeds the payment previously remitted by the submitter, the submitter will be notified of the additional amount due and is responsible for remitting it immediately. Such additional amount may be due if the auction calculations result in a premium or if accrued interest and/or inflation adjustment is due.

(b) *Payment by authorized electronic means.* Where the method of payment is by an authorized electronic means as provided for in §356.17 (a)(2) or (b)(2), the settlement amount will be charged to the specified account on the issue date.

(c) *Payment by authorized charge to a funds account.* Where the submitter's method of payment is an authorized charge to the funds account of a depository institution as provided for in §356.17 (a)(3) or (b)(3), the settlement amount will be charged to the specified funds account on the issue date.

(d) *Amount of payment for awarded securities.* The payment amount for awarded securities will be the settle-

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ment amount as defined in §356.2. (See formulas in appendix B.)

[58 FR 414, Jan. 5, 1993, as amended at 61 FR 54910, Oct. 22, 1996; 62 FR 852, Jan. 6, 1997]

### **Subpart D—Miscellaneous Provisions**

#### **§356.30 Payment of principal and interest on notes and bonds.**

(a) *General.* Principal on notes and bonds will be paid on the maturity date as specified in the offering announcement unless the security is called pursuant to its terms and in accordance with appropriate public notice. Interest on notes and bonds accrues from the dated date. Interest is payable on a semiannual basis on the interest payment dates specified in the offering announcement through the date that the principal becomes payable. In the event any principal or interest payment date is not a business day, the amount is payable (without additional interest) on the next business day.

(b) *Treasury inflation-indexed securities.* At maturity, the inflation-adjusted principal will be paid, unless the inflation-adjusted principal is less than the par amount of the security, in which case an additional amount will be paid at maturity so that the additional amount plus the inflation-adjusted principal equals the par amount. If a security has been stripped, any such additional amount will be paid at maturity to holders of principal components only. Regardless of whether or not an additional amount is paid, the final interest payment will be based on the inflation-adjusted principal at maturity.

[58 FR 414, Jan. 5, 1993, as amended at 62 FR 852, Jan. 6, 1997]

#### **§356.31 STRIPS.**

(a) *General.* A note or bond may be designated in the offering announcement as eligible for the STRIPS program. At the option of the holder, and generally at any time from its issue date until its call or maturity, any such security may be "stripped," i.e., divided into separate principal and interest components. A short or long first interest payment and all interest

payments within a callable period are not eligible to be stripped from the principal component. The CUSIP numbers and payment dates for the principal and interest components are provided in the offering announcement if not previously announced.

(b) *Minimum par amounts required for STRIPS.* For a note or bond to be stripped into the components described above, the par amount of the note or bond must be in an amount that, based on its interest rate, would produce a semiannual interest payment, before adjustment for inflation, in a multiple of \$1,000. Exhibit C to this part provides the minimum par amounts required to strip a note or bond at various interest rates, as well as the corresponding interest payments. Amounts greater than the minimum par amount must be in multiples of that amount. The minimum par amount required to strip a particular security will be provided in the press release announcing the auction results.

(c) *Principal components stripped from fixed-principal securities.* Principal components stripped from fixed-principal securities are maintained in accounts, and transferred, in TRADES at their par amount. The principal components have a CUSIP number that is different from the CUSIP number of the fully-constituted (unstripped) security.

(d) *Interest components stripped from fixed-principal securities.* Interest components stripped from fixed-principal securities are maintained in accounts, and transferred, in TRADES at their original payment value, which is derived by applying the semiannual interest rate to the par amount. When an interest component is created, the interest payment date becomes the maturity date for the component. All such components with the same maturity date have the same CUSIP number, regardless of the underlying security from which the interest payments were stripped. All interest components have CUSIP numbers that are different from the CUSIP number of any fully-constituted security and any principal component.

(e) *Principal components stripped from inflation-indexed securities.* Principal components stripped from inflation-indexed securities are maintained in ac-

counts, and transferred, in TRADES at their par amount. At maturity, the holder will receive the inflation-adjusted principal value or the par amount, whichever is greater. (See § 356.30.) Principal components have a CUSIP number that is different from the CUSIP number of the fully-constituted security.

(f) *Interest components stripped from inflation-indexed securities.* Interest components stripped from inflation-indexed securities are maintained in accounts, and transferred, in TRADES at their original payment value, which is derived by applying the semiannual interest rate to the par amount. When an interest component is created, the interest payment date becomes the maturity date for the component. Each such component has a unique CUSIP number that is different from the CUSIP number of any interest components stripped from different securities, even if the components have the same maturity date. All interest components have CUSIP numbers that are different from the CUSIP number of any fully-constituted security and any principal component. At maturity, the payment to the holder will be derived by applying the semiannual interest rate to the inflation-adjusted principal of the underlying security.

(g) *Reconstituting a security.* Stripped interest and principal components may be reconstituted, i.e. restored to their fully constituted form, and maintained in TRADES. A principal component and all related unmatured interest components, in the appropriate minimum or multiple amounts, must be submitted together for reconstitution. Interest components stripped from inflation-indexed securities are different from interest components stripped from fixed-principal securities and, accordingly, are not interchangeable for reconstitution purposes. Interest components stripped from one inflation-indexed security are not interchangeable for reconstitution purposes with interest components stripped from another inflation-indexed security.

(h) *Applicable regulations.* Unless otherwise provided in this part, notes and

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bonds stripped into their STRIPS components are governed by subparts A, B and D of part 357 of this title.

[58 FR 414, Jan. 5, 1993, as amended at 61 FR 43637, Aug. 23, 1996; 62 FR 852, Jan. 6, 1997]

## § 356.32 Taxation.

(a) *General.* Securities issued under this part are subject to all applicable taxes imposed under the Internal Revenue Code of 1986, or successor. Under section 3124 of title 31, United States Code, the securities are exempt from taxation by a State or political subdivision of a State, except for State estate or inheritance taxes and other exceptions as provided in that section.

(b) *Treasury inflation-indexed securities.* Special federal income tax rules for inflation-indexed securities, and principal and interest components stripped from such securities, are set forth in Internal Revenue Service regulations.

[62 FR 853, Jan. 6, 1997]

## § 356.33 Reservation of rights.

The Secretary reserves the right to accept or reject or refuse to recognize any or all bids or tenders submitted under this part. The Secretary also reserves the right to award more or less securities than the amount of securities specified in the offering announcement. The Secretary further reserves the right to waive any provision or provisions of this part for any or all bidders or submitters. Decisions of the Secretary under this section shall be final.

## § 356.34 Remedies.

(a) *General.* When a person or an entity fails to comply with the requirements of this part, the Secretary will consider the circumstances of such failure and determine an appropriate remedy. Such remedy may include prohibiting the person or entity from participating in future auctions for its own account, for the account of others, or both. The Secretary may refer such occurrences to the appropriate regulatory agency for enforcement action.

(b) *Liquidated damages.* A bidder agrees to pay liquidated damages of 1% of the par amount of securities awarded the bidder in an auction if the bid-

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der fails to pay for the awarded securities in a timely manner. The Secretary may waive, in whole or in part, the payment of liquidated damages. This liquidated damages provision shall not preclude the use of any other available remedy.

## § 356.35 Reservations as to terms of offerings.

The Secretary reserves the right to supplement or amend provisions of this part. The Secretary further reserves the right to modify the terms and conditions of new securities and to depart from the customary pattern of securities offerings at any time. Public notice of any such changes will be provided.

## § 356.36 Paperwork Reduction Act approval.

The collections of information contained in §§ 356.11, 356.12, 356.13, 356.14, and 356.15 and in appendix A of this part have been approved by the Office of Management and Budget under control number 1535-0112.

[61 FR 37011, July 16, 1996]

## APPENDIX A TO PART 356—BIDDER DEFINITIONS

For the purpose of this part, the definitions set forth in this appendix describe all of the categories of bidders eligible to bid in Treasury auctions. These definitions are to be used by persons and entities in determining whether they are considered one bidder or more than one bidder for the purpose of bidding in auctions and for the purpose of complying with the requirements of this part. Notwithstanding these definitions, any persons or entities that intentionally act together with respect to bidding in a Treasury auction are considered, collectively, to be one bidder.

The following definitions will be used by the Department in applying competitive and noncompetitive award limitations and related requirements, as described in this part.

(a) *Corporation*—A corporation and all affiliates, whether persons, partnerships, or other entities, hereinafter referred to as a corporate structure, are considered, collectively, to be one bidder.

An affiliate is any: entity that is more than 50% owned, directly or indirectly, by the corporation; entity that is more than 50% owned, directly or indirectly, by any other affiliate of the corporation; person or entity that owns, directly or indirectly, more than 50% of the corporation; person or